

Farmer's Corner



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Avoiding Loss of Focus Due to Information Overload

Agriculture has been holding a prominent place in discussions at the coffee shop (as always); in political gatherings at the national, state and local levels; and at dinner tables all over. The topics are covering a wide range, including land prices, input prices, crop subsidies, and the ever present food vs. fuel debate. These discussions are happening in more places and more frequently than they have in many years. While most like to participate no matter what their level of involvement in agriculture, for farmers and their supporting businesses, the conversation has a complicated twist ñ it leads to "analysis paralysis" and increased difficulty making decisions.

Grain buyers everywhere are observing that for the most part, farmers are in a "wait and see" mode with regard to marketing. What has led to this? Many will tell you the farmer doesn't need money, they have all the cash they need for now. Others point to the fact that markets have dropped dramatically from pre-harvest, even early harvest price levels. Still others blame the uncertainty surrounding the world's economic outlook.

While all these are valid points and may be influencing the situation, an even more significant issue may be that more and more information is flooding into the decision making processes. It has many producers dealing with information overload, which makes it hard to make a decision. Information overload leads to fear of making the "wrong choice", and even fear of making that "right decision".

Being "wrong" is a funny concept that can be hard to clarify. In the context of grain marketing, a wrong decision typically means the market went higher, maybe even a lot higher, after the grain was sold. There are some questions you can ask

that bring clarity to the situation. Was that decision based on achieving the level of profit that was desired on those bushels or acres? Was that decision based on the known factors such as cost per acre and desired profit level, or based on establishing a base from which to make more sales?

Right marketing decisions are those which are based on cost and profit. These factors can be known with a reasonable degree of certainty, and should be the basis of all marketing decisions.

Dealing with "Higher"

Have you ever sold at the absolute top of the market? If you have, or know someone that has, how is it typically described? Most refer to this as being really . . . Lucky!

The reality is that, for most, this is a once or maybe twice in a lifetime event. It does not really make sense to have this as a goal. What does make sense is paying attention to profit.

In order to be that marketer that consistently is able to turn profits on the crops you grow, you must first accept the fact that the market may go higher at some point. Yes that means the neighbor may even beat you and get a better price, this year. Taking a longer term view of achieving consistent profits, year after year, can put you in a better marketing place.

The marketers that have the most success realize that while the market may go higher, taking a profit is always a good sale. A profitable sale is never wrong.

Commit to Positive Marketing

So here you sit, reading this newsletter. You ask yourself, "How can I do this?"

Actually, it is very simple. It also will take time, effort and most importantly DISCIPLINE! The process is the same for every crop you grow.

First, take stock of where you stand. How much of your old crop have you sold and what is the revenue that was (or will be, in the case of deferred payment) generated? What did it cost to raise the crop, in per acre terms? Take the current cash value of the unsold grain and add that to the sales you have already made. This will tell you where you stand, today.

Second, look at the total profit you would like to achieve on that crop. This should be done in conjunction with the other crops you raise as well. That way, you can see what the overall desired profit from your farming operation would be.

Third, compare where you are at today to where you would like to be. If you are in a better place than your goal, sell what you have left and start worrying about next year's crop. If you are short of your goal, put in offers to sell the crop that allow you to reach your goal.

Lastly, follow the same procedure for next year's crop. By using what you know about input costs, what you would like to make off those crops and your average yields, you can come up with a marketing plan for next year.

Conclusion

There are many distractions to marketing. Those that are able to separate their thinking and focus on the thing that really matters, profit, will be the ones that are ultimately successful.

Resolve to focus on the positive results of making good sales at a profitable level, no matter what happens after those sales are made. Look forward, don't overanalyze the past.

I'd like to share one piece of advice my grandfather told me early in my driving career that has direct application to marketing crops. He said, "It's hard to drive looking in the rear view mirror. When you do, that's when you have an accident."

Heard at the coffee shop:

The headlines of the newspaper laying in the middle of the table are not new for the last few years. "Land prices hit record levels!" "Cash rent up 20% over last year." "Record Farm Profits."

The topic for today's discussion is how long this will last. Prices on corn have dropped over \$2.00 from the highs. Soybeans almost \$4.00, Winter Wheat - \$3.50, Spring Wheat - \$2.00, Soft Wheat almost \$4.00, and Rice - \$3.75/cwt.

"I have seen this before" says one of the older farmers, "Just because prices were high before, doesn't mean they have to go back up. The market doesn't care what it costs to raise a crop, the market just is what it is." Selling at a profit is more important now than ever.

